



- Welcome to this training session on transitioning to reengineered product support, with an emphasis on public/private partnering
- As part of the overall Air Force and DoD effort to reduce the Total Ownership Cost of our weapon systems, there was a significant tri-Service initiative to develop an action plan to implement reengineered product support concepts - initially in Pilot Programs, then subsequently throughout all programs
- That action plan was documented in the OSD Product Support Reengineering team report, “Product Support for the 21st Century”, primarily in broad conceptual terms
- This training session outlines the more specific Air Force definition and plan for application of those concepts, and was developed by the Lightning Bolt 99-7 team.



# Briefing Outline

*LB 99-7*

- **Background and Introduction**
- **Product Support Elements**
  - Depot Maintenance
  - Supply Management
  - Mod Management
  - Technical Data Management
  - Technical Support
  - Training
  - Data Systems
  - Other Filters
- **Developing a Product Support Strategy**
- **Lessons Learned and Summary**

- **Product Support Reengineering Strategies**
- **Decision Criteria/Filters**

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This is the outline of our training module. After an introduction, we will discuss the range of product support elements and the applicable product support reengineering strategies and decision filters that apply to each one

Then, we'll discuss the overall process and methodology for developing a consolidated product support strategy, and the required coordination and approval process

Finally, we'll discuss the lessons learned so far from our product support efforts to date



## Mandate for Change

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**“ DoD needs to “*totally transform*” its logistical support . . .” into a “world class model of logistics operations, the sort that we can learn in this case from the commercial world ... being able to rapidly and at a lower cost support the forces.”**

**“DoD needs a New Model for Logistics Support”**

**Honorable Jacques S. Gansler**

**Under Secretary of Defense**

**Acquisition, Technology, and Logistics**

- There are significant forces driving our efforts to reform our product support policy and processes
- The two primary motivating forces are the reality of lower defense budgets and rising support costs - we simply can no longer afford to pay ever increasing sustainment bills. The second motivating force is that we've changed the way we fight - our operational concept - and accordingly must reform our support concept as well
- The push for more efficient, and less costly, logistics comes from the Under Secretary of Defense for Acquisition, Technology, and Logistics, Dr. Jacques Gansler, who has laid out a mandate for DoD to totally transform its logistics support process and infrastructure to correspond with our new economic and operational environment
- A key component of his mandate is increased reliance on and partnering with, the commercial world, in terms of adopting commercial best practices as well as increased utilization of commercial sources of support.

 **The Air Force Warfighting Concept is Changing - So Must Logistics**  
*LB 99-7*

**EAF**

**Mix & Match Wings/Squadrons**

**Need for Speed**

**Lighter Leaner More Lethal**

**Deploy in 24 Hours - Bombs on Target in 72 Hours**

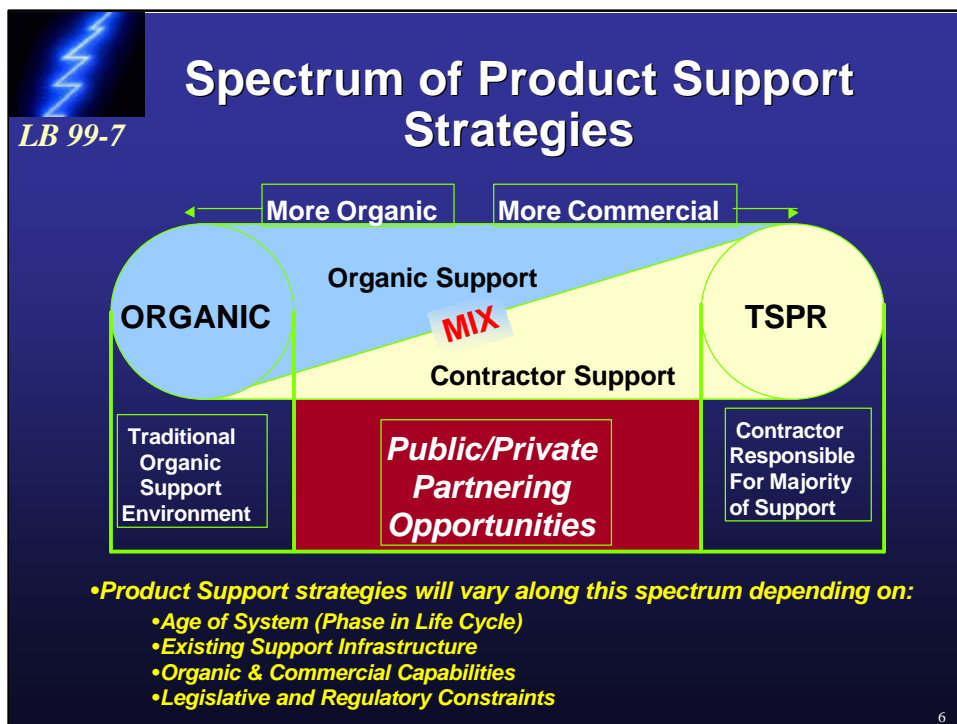
*Logistics support must evolve with the operational concept*

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- The second factor, our changing operational concept, is prompted by the move from a massed forward deployed forces structure to an agile, expeditionary concept via the Expeditionary Air Force
- We simply must become lighter and leaner in order to support composite forces deployed rapidly over great distances and operating in austere locations.
- A requirement to deploy within 24 hours and putting bombs on target in 72 hours puts an absolute premium on agility, precision, and speed.



- The fundamental principle that will guide our future Air Force product support strategies is partnering - with industry, with other services, and amongst our various Air Force organizations
- The time has come for us to utilize the best skills, competencies, and values regardless of the source, by ensuring that we leverage the core competencies and innovative concepts of both the public and private sectors to support the warfighter at the best value for the Air Force



- Even though there is an OSD focus on increased use of commercial sources, we envision a spectrum of potential product support strategies, ranging from our traditional organic support to the “Total System Performance Responsibility”, or TSPR approach, in which a contractor is accountable for almost all of the product support functions in a performance oriented contract arrangement
- There will be many factors for Program Offices to consider as they develop the best strategy for their program, such as
  - Age of System and phase in life cycle
  - Existing support infrastructure
  - Support capabilities available in the organic and commercial sectors
  - and of course any legislative or regulatory constraints
- Those strategies that call for a mix of public/private support offer the best opportunities for partnering, which is a key component of our Air Force strategy. We’ll discuss specific partnering options later in this training module



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## TSPR Definition

- **The Total System Performance Responsibility (TSPR) program is a product support strategy for major weapon system platforms whereby one or a limited number of contractors are responsible for system modifications, integration tasks and sustainment tasks to meet warfighter requirements. The Government remains accountable for program execution.**

### Similar Terms

**TSSR - Total System Support Responsibility  
Flexible Sustainment**

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- Since TSPR is a relatively new support arrangement, we had a need to more clearly define it, as shown here.
- Section 344 of the Fiscal Year 2000 National Defense Authorization Act requires the Secretary of the Air Force to submit to Congress a report identifying all Air Force programs that are currently managed, or are presently planned to be managed, under the Total System Performance Responsibility (TSPR) program or similar programs. Section 344 also requires that the report include an evaluation of various aspects of the TSPR program.



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## OSD Says to Maximize Competition, But...



**Marketplace:** multiple qualified commercial vendors, formal source selection process

**Public/Private:** one or more commercial vendors and a public/organic organization

**Business Case Analysis:** an analytical process to arrive at the best value (to DoD) means of support. Includes sole source awards - but provides basis for accountability and performance reqmts

THE DOD INDUSTRIAL BASE IS SHRINKING, MAKING "TRUE" COMPETITION MORE DIFFICULT

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-OSD has mandated that we place a maximum emphasis on competition throughout the life cycle of our weapon systems

- In order to meet that mandate, we must broaden our spectrum of what constitutes competition. In addition to the traditional Marketplace and Public/Private competition strategies, we are adding the option to conduct a Business Case Analysis, or BCA, which MAY result in a sole source award. However, the BCA will ensure that we include in a sole source arrangement the same incentives and performance requirements normally achieved through full and open competition



**Product Support Functions  
Not Eligible for “Competition”**

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**O-Level Maintenance**

**Blue Suit  
Performance in  
Theater**

**Mandates Standard  
System Interfaces**

**Theater Distribution**

**Very Few True “End-to-End” Product Support Arrangements**

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- Due to Air Force policy, there will be some Product Support Functions that will not be eligible for contracting out, therefore not candidates for competition
- In general, these include all functions performed “in theater” or in the warfighting area of responsibility, which will be performed by “blue suit” personnel
- Since we will continue to have Air Force personnel performing functions such as O-level maintenance and distribution of parts in theater, it will be necessary for any contractor performing other Product Support functions to comply with standard data systems interfaces necessary to ensure that our blue suit personnel utilize the same systems they have always used at the field level



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## “Strategies for Product Support Through Competition”



- Translates OSD Product Support concepts into practical “how to” guide
- Focuses on:
  - Innovative Support Concepts
  - Legislative/Regulatory issues
  - Building a Product Support Strategy
  - Product Support Decision Matrix methodology

[http://www.safaq.hq.af.mil/acq\\_ref/bolts99](http://www.safaq.hq.af.mil/acq_ref/bolts99)

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- Clearly, we are making significant changes in the way we develop our support strategies, and additional guidance has been developed by the Lightning Bolt 99-7 team
- The Product Support Guide, entitled “Strategies for Product Support through Competition”, builds on the concepts of the OSD Product Support Reengineering team report to provide practical “how to” guidance on developing Product Support strategies
- It contains guidance and reference material on innovative support concepts, legislative and regulatory issues, and offers a structured approach through use of the Product Support Decision Matrix to build an effective acquisition strategy to effect change in product support arrangements

# Product Support Decision Matrix

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	Depot Maintenance Business Area	Supply Management Business Area	Product Support Business Area											
Decision Factors	Depot Maintenance	Intermediate Maintenance	Maintenance Planning & Execution	Data Systems	Wholesale Supply	Retail Supply	Transportation	Data Systems	Technical Data Management	Modification Management	Training	Technical Support	Data Systems	Other
<b>Legislative</b>														
1. 10 U.S.C. § 2464 "Core"														
2. 10 U.S.C. § 2466 "50/50"														
<b>Regulatory</b>														
1. OMB Circular A-76														
AF Approved Business Strategy														
Program Baselines														
<b>Market Research</b>														
<b>Partnering Strategies</b>														
1. Direct Sales Agreements														
2. Leasing														
3. Joint Use														
4. Mixed Production														
5. Work Share														
6. Other (e.g. Hybrid)														
<b>Weapon System Commonality</b>														
1. Vertical/Horizontal														
<b>Financial Management</b>														
1. Working Capital Fund														
<b>Business Case Analysis</b>														

- As mentioned, contained in the Product Support Guide is this Product Support Decision Matrix. It arrays the range of Product Support elements, arranged by business area, against those decision factors pertinent to arriving at a preferred Product Support strategy
- Presented in priority sequence in terms of how they should be addressed, the decision factors ensure that each program will properly and thoroughly evaluate all factors facilitating and/or impacting their product support strategy development
- Ranging from the key Title 10 legislative sections for Core and 50/50 through the regulatory implications of A-76 and other necessary actions such as market research and description of available partnering options, the Matrix ensures that a program will consider and explore all possible options for reengineered product support



- Although the Program Office, led by the System Program Director, bears primary responsibility for development of their Product Support strategy, it is incumbent upon them to involve other stakeholders in the process when necessary
- If the SPD limits options by limiting or excluding key stakeholders, we cannot be assured of obtaining best value product support for the warfighter. An IPT, established early in the process with cross-functional membership, provides the broadest assessment base for potential support options, and facilitates the process of evaluating those options against the filters to determine which are the most viable and feasible
- The key coordination and approval offices are shown on the outer star, but as you can see, there is a lengthy list of interested parties that should be allowed to participate in the development and/or review of any proposed product support strategy. The type of program (e.g. joint or not) will determine which stakeholders to include



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## Air Force Pilot Programs

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- **KC-135**
- **C-5**
- **Cheyenne Mountain Complex**
- **SBIRS** (approved)
- **C-17** (implemented)
- **F-117** (implemented)
- **B-1B**
- **F-16**
- **JSTARS** (approved)
- **E-3/AWACS**

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•Our Air Force approach to implementing reengineered product support, as mandated by OSD, has been to first implement it in a set of ten pilot programs. Those ten Air Force pilot programs are shown here

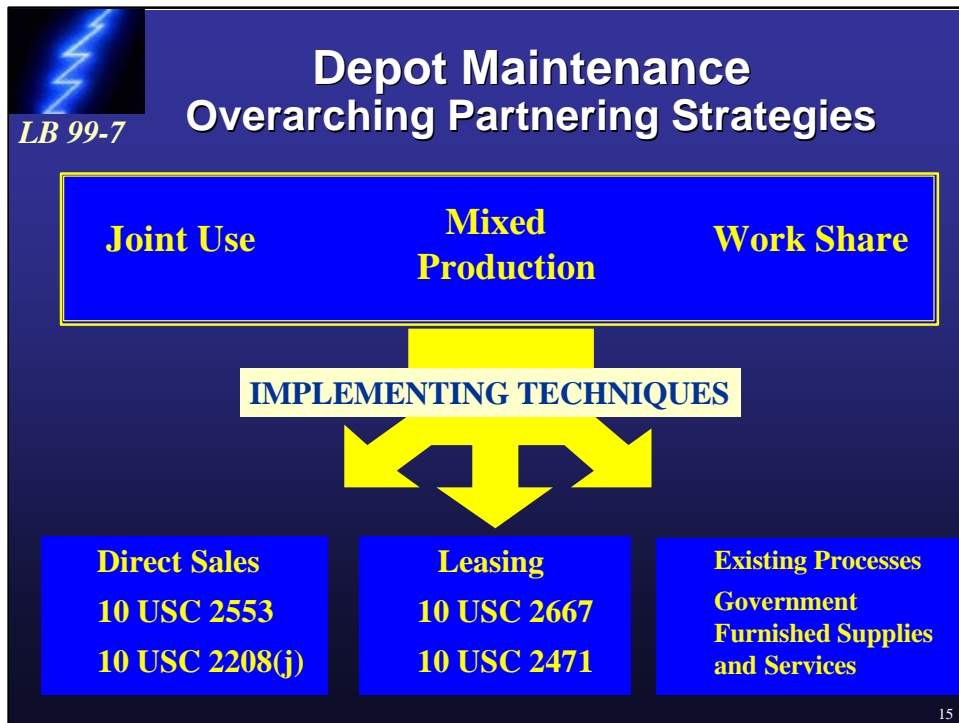
•Four of those programs, SBIRS, C-17, F-117, and JSTARS, have already approved and/or implemented product support strategies. At the end of the training, we'll summarize the lessons learned from both groups of pilot programs

-As I've stated, we have a changing support paradigm, which makes it critical for us to educate the workforce in how to develop and implement these new sustainment concepts

- Over the next few years, all program offices are encouraged to develop sustainment plans for new acquisitions and/or major modifications. These plans must propose a product support strategy IAW the reengineered product support concepts outlined in this training module

- As we do currently, these proposed strategies will be reviewed and ultimately approved through our corporate SORAP process (Source of Repair Assignment Process <http://www.afmc-mil.wpafb.af.mil/HQ-AFMC/LG/lgp/lgpw/#sorap> ) on up to the Acquisition Strategy Panel

- In order to ensure consistent application of these new principles and provide the necessary guidance and consultation to program offices, our Acquisition Logistics workforce must be aware of both the objectives and procedural aspects in applying these concepts. Although the primary consultation role will rely with our Acquisition Support Teams, it will be incumbent upon every member of the workforce to promote and properly implement these concepts



For Depot Maintenance, There are three general partnering strategies that are available for consideration.

The three primary partnering types are, respectively, Joint Use, Mixed Production, and Work Share. The applicable legislative references are shown at the bottom of the chart. Each of these will be discussed in the following chart



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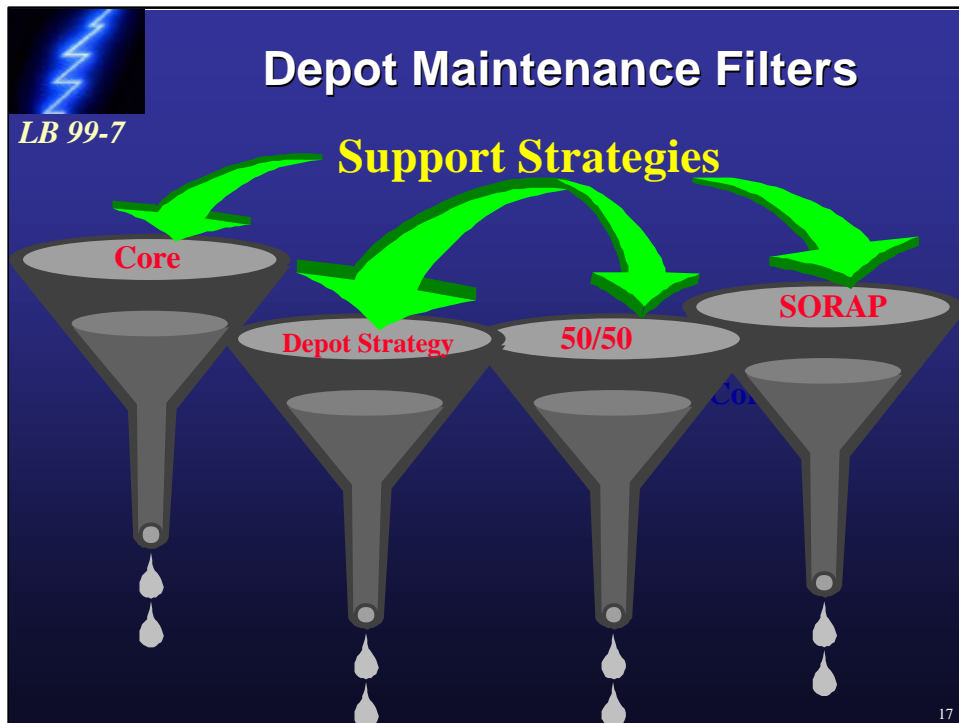
## Depot Maintenance Partnering Strategies

- **JOINT USE** consists of sharing the use of underutilized facilities and equipment - examples:
  - Co-utilization of depot plating facility on the same shift
  - Depot maintenance personnel and contractor personnel utilizing the same facility and equipment on separate shifts
- **MIXED PRODUCTION** consists of single line producing organic/commercial products
  - Depot maintenance and commercial personnel accomplishing DoD and commercial workloads (Section 2553 applies to DoD workers)
- **WORKSHARE**
  - Facilities and equipment leased to commercial contractor
  - Work package split between government and contractor


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- Joint use is the sharing of underutilized facilities or equipment. This may be on the same or separate shifts. What makes joint use different from a work share arrangement is that joint use does not have government and commercial personnel working on a common end item.
- Mixed production is a single line producing a mix of government and commercial products. USC 10, Section 2553 applies to this effort and would require SECAF approval for the government to produce commercial use items. Due to many product liability issues for government personnel producing for commercial end use the probability of this is low.
- Work share is similar to joint use except that there is a common end item. In a work share arrangement the government could do operations 1-10 and route the assembly to the contractor who accomplished operations 11-20. It could also include the commercial entity disassembling the end item, routing the components or SRUs to the government entity for repair, who in turn returns the component to the commercial entity for final assembly (LANTIRN phase II and the Army Palladin program are examples of work share arrangements).







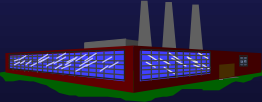
- Now that we've discussed the Depot Maintenance strategies, we'll review the filters that must be addressed when evaluating a Depot Maintenance approach
- The four filters are:
  - Consideration of Core
  - Compliance with the Air Force approved Depot Strategy
  - Consideration of 50/50 requirements
  - and, Completion of a Source of Repair Assignment Process, or SORAP



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## What Is Core Capability?

**Core Capability Is Retained In  
Government Depots To Support Current  
Wartime Scenario (2MTW)**

**Core Capability Is Defined By:**

Skilled federal personnel

+

Government-owned equipment

+

Government-owned facilities

**Measured in Direct Labor Hours (DLHs) of Capability  
Required to Support the War Plans**

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- The purpose of core capability is to retain an assured source of depot support for the warfighter. Core capability is the government capability required to support the two Major Theaters of War (2MTW) Wartime Scenario. Core Capability is define by Government people, equipment and facilities and is measured in direct labor hours.



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## Depot Maintenance Air Force Depot Strategy Filter

- **The Air Force approved plan for the sizing, workloads, and skills base for Depots**
- **Depots Right-Sized Through 2005**
  - **Consolidation and Competition**
  - **Core “Plus” Workloads**
    - ✓ **Perform Best Value Assessment for Non-Core**
    - ✓ **New Technology Infusion With New Weapon System Workloads**
    - ✓ **Existing Technology Refreshed With Capital Purchases Program**



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•The Air Force now has an approved Depot Strategy. This strategy was developed to provide a roadmap for a post 90's era for the depots. The strategy uses Core and 50/50 as inputs to size the AF organic depot maintenance infrastructure, identify the capabilities necessary for AF retention and capabilities satisfied by the private sector. And finally to plan for the future use of our resources.

•The AF Chief of Staff has approved the depot strategy and HQ AFMC/LGI is currently developing a supply chain strategy that will mirror the depot maintenance strategy to identify what knowledge, skills and abilities must be retained to support AF requirements.

•The Depots will be sized to what we term a “Core Plus” concept. In a depot workload source of repair decision process, workloads are identified as either suitable for organic performance or contracting out. However, under Core Plus, the workloads may also be designated for public/private competition, or may be redirected to organic because of lack of viable commercial sources or because of unique technologies. This means that our organic depots will be assured of not only receiving the “Core” workloads, but some portion of the “Core Plus” candidates as well - to ensure we have viable skills, technologies for continued strong organic support. Each program office should assess all potential depot workloads against this strategy.



## Depot Maintenance 50/50 Filter

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- **10 USC Section 2460. Definition of depot-level maintenance**
- **10 USC Section 2466. Limitations on the performance of depot-level maintenance of materiel**
  - **Percentage limitation**
    - ✓ “Not more than 50 percent...may be used to contract for the military department...”
    - ✓ Applies to depot-level maintenance and repair
    - ✓ Includes ICS and Contractor Logistics Support (CLS)
    - ✓ Prior to 1998 language, ICS and CLS were memo entries
  - **Waiver of limitation**
    - ✓ Requires SECAF authorization
    - ✓ Must be necessary for reasons of national security
    - ✓ Requires notification to Congress

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- The next filter is commonly termed “50/50”, and refers to the legislative constraint that no more than 50% of our Depot Maintenance workloads may be performed by non-government personnel
- In general, the law places a limit on how much depot-level maintenance can be performed on contract compared to what is being done by organic sources of repair.
  - Originally, the requirement stated that no more than 40 percent of all depot maintenance could be performed commercially. At that time, the figures only included repair activities funded with DMAG dollars. We now recognize that depot maintenance includes CLS, ICS, and other non-DMAG funded workload. As a result, the requirement has since evolved to a 50/50 ratio.
  - One thing to keep in mind is that the 50% figure is a cap, not a goal. No more than 50% of all depot maintenance can be done by non-government employees.
- For all practical purposes, there are no exceptions. The Secretary of the Air Force is the only level that can authorize a program to be exempt from reporting and only for reasons affecting national security.



## Depot Maintenance SORAP Filter

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- **Single Manager (SM) Initiates Review**
  - Weapon System Support Strategy...Must Consider Impact on Supply Chain Management, Product Support, and Depot Maintenance
- **SM Develops Corporate Source of Repair Recommendations...Must Consider**
  - Depot Maintenance Strategy
  - 50/50 Impacts
  - Military Readiness and Business Uncertainty (Core)
  - Impacts on Infrastructure and Capital Investments
  - Cost / Benefit Comparison Between Contractor and Candidate Depot
- **SM Must Coordinate Support Position With Operational Commands, ALCs, HQ AFMC, and Air Staff**

SM Must Build AF Consensus...What's Best for Air Force Versus Individual Program Acquisition  
<http://www.afmc-mil.wpafb.af.mil/HQ-AFMC/LG/lgp/lgpw>

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The next filter, the SORAP, or once again, the Source of Repair Assignment Process, causes the Single Manager to develop corporate source of repair recommendations for ultimate review and approval by the Senior Air Force Corporate Process

It really incorporates the other filters, in the sense that the Single Manager must address the criteria and compliance requirements of the Air Force Depot Maintenance Strategy, 50/50, and Core

However, it goes beyond that by causing a broader view of the impact of the various depot maintenance workload alternatives. For instance, what is the impact on Supply Chain Management? On the Warfighter? On our infrastructure and capital investment?

All recommendations must be supported by a Cost/Benefit comparison reflecting cost for contractor performance vs. candidate organic depot performance

It's important to ensure a wide coordination of all recommendations, building a consensus of support, before bring the recommendations forward for final approval



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## Depot Maintenance Current/Planned Partnering Arrangements

- **Programs that have initiated/implemented depot maintenance partnerships**
  - **Leasing - LANTIRN Phase I - WR-ALC**
  - **Direct Sales**
    - ✓ **10 USC 2553- LANTIRN Phase II, C-17 ACI - WR-ALC**
    - ✓ **10 USC 2208(j) C-17 Landing Gear, F-16 Software - OO-ALC**
  - **Hybrid**
    - ✓ **GFSS - C-130 IWSSP, JSTARS - WR-ALC**
    - ✓ **GFSS - F-100 PW 229 engine - OC-ALC**

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Here are several examples of already planned or initiated partnering arrangements



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## Supply Management

- **WHOLESALE SUPPLY** procures, manages, repairs, and disposes of stocks. It resupplies the retail levels of supply.
- **RETAIL SUPPLY** is the base supply function that stocks, stores, and issues parts for use or consumption at the operational level
  - *Retail supply in theater (or deployable) is off limits for competitive sourcing*
- *Wholesale supply may be competitively sourced*
  - **AF policy mandates contractors operating as wholesale supply managers for the AF interface with AF Standard Base Supply System (SBSS)**

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•Wholesale supply is the highest level of organized DoD supply. Each service and the Defense Logistics Agency (DLA) accomplish wholesale supply for assigned items. Within the Air Force, Air Logistics Centers (ALCs) and selected contractors accomplish wholesale supply for items assigned to the Air Force. The Air Force formally designates ALCs and selected contractors as inventory control points (ICPs). ICPs are also known as the source of supply (SoS). Inventory management specialists, often referred to as “item managers” (IMs), are located at the ICP. The ICP assigns items to IMs for management. IMs acquire items, schedule items for repair, and manage the stock, store, issue and disposal of items. The item manager resupplies the retail level of supply.

•Retail supply stocks, stores, and issues items to base and depot level maintenance activities for repair of weapon systems and reparable items. Base supply stocks, stores, and issues items to base maintenance at Air Force operational bases using the Standard Base Supply System (SBSS). Depot supply stock, stores, and issues items to depot maintenance at ALCs using DLA’s Distribution Standard System (DSS) and the Air Force’s Stock Control System (D035K).

•The Air Force will not competitively source retail supply at in-theater locations or at CONUS locations that deploy. The Air Force may competitively source wholesale supply. Warfighters will continue to use SBSS when contractors perform wholesale supply management. Contractors must interface their data systems with the SBSS in a manner that ensures transparency to the warfighter.



# Supply Management Strategy

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- **SERVICE LEVEL AGREEMENTS**
  - A written agreement between a Govt customer and a Govt supplier that defines their business relationship
  - Required between Single Managers and Supply Chain Managers
- **CORE REQUIREMENTS FILTER**
  - HQ AFMC is developing a strategy to retain an organic logistics capability in the area of supply management
- **SPARES OWNERSHIP FILTER**
  - Programs must address ownership of spares: Government or Contractor
  - Goal is motivate contractor to manage spares with least cost to Air Force
  - Programs must defend their choice

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•A service level agreement (SLA) defines the business relationship between a supplier and a customer. It specifies what products, services, and/or information the supplier will deliver to the customer and defines the criteria by which the customer judges the suppliers performance. SLAs are required between supply chain managers (SCMs) and single managers (SMs).

•Just as we have a Core designation for depot maintenance workloads, HQ AFMC is developing a strategy to identify core supply functions, to ensure we have a continued capability in the area of supply management. Any supply functions designated core would not be eligible for contracting out

•And, programs must address the ownership of spares if wholesale supply management is contracted out. The preference is for contractor ownership of spares, with least cost to the Air Force





## Supply Management Filter Decapitalization

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- **If Contractor manages wholesale supply**
  - **Must own spares**
  - **Spares (and income) are removed from DWCF**
  - **Result: loss of income, rise in Overhead costs**
- **Result must be Cash Neutral to DWCF**
  - **Identify all items to be considered**
  - **Determine existing inventory (on-hand and pipeline)**
  - **Analyze inventory to determine source of funding (initial vs. replenishment)**
  - **Work closely with supporting depots to identify all costs associated with decapitalization of assets**

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• If a program selects a contractor to manage items, the Air Force will decapitalize the items from the Air Force Working Capital Fund (WCF). This can create problems, as shown, resulting in loss of income and rising surcharge overhead costs. Accordingly special steps must be taken to assure no loss to the Air Force

• Decapitalization requires reimbursement of the WCF of sufficient funds for assets due-in from procurement after the decapitalization date, program office overhead for the fiscal year in which the decapitalization occurs and for all fiscal years after the decapitalization occurs for which the WCF has submitted a Budget Estimate Submission (BES) or President's Budget (PB) and un-recovered materiel cost recovery (MCR) in the fiscal year in which the decapitalization occurs.

• The reimbursement ensures cash neutrality to the WCF. Typically, the program office reimburses the WCF with program office funds. If the contractor is to own the parts, he may reimburse the WCF.

• Decapitalization should occur budget lead time away. The program office will send a decapitalization request to HQ AFMC/LGI. The request will contain a list of items and the quantities on hand that will be decapitalized and the amount of funds required to reimburse the WCF.

• The Office of Secretary of Defense (Comptroller) is the final approval authority for decapitalization requests.



## Mod Management

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- **Includes responsibility for the planning, initiation, and implementation of modifications to the weapon system or subsystems**
- **Includes responsibilities for technical data revisions, modification kit development and production, and kit installation**
- **Major modifications are opportunities for product support reengineering**

Note: recently developed mod policy has been approved.

For more information see:

<http://www.asc.wpafb.af.mil/asc/sy/syp/page/mmrt/mmrt.htm>

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- Modification management includes the responsibility for the planning, initiation, and implementation of modifications to weapon systems or subsystems
- For fielded systems, major modification programs are excellent opportunities to incorporate product support reengineering initiatives for the subsystem being modified



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## Technical Data Management

- **Includes all functions necessary to prepare, maintain, and disseminate weapon system and subsystem technical data, including technical manuals, maintenance manuals, engineering drawings, illustrated parts breakdowns, troubleshooting guides, etc.**
- **DoD 5000.2-R - “the PM shall provide for the long-term access to data required for competitive sourcing of systems support throughout its life cycle”**
- **JCALs endorsed as AF standard TO management system tool and infrastructure**
- **Candidate for competitive sourcing**
  - **Ensure initiatives support a seamless transition to the planned “to be” environment**

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Technical Data Management includes all functions listed here, which in general are those actions necessary to develop, disseminate, and maintain all aspects of the technical data required to train and maintain the weapon system

With the option to outsource Depot Maintenance, the requirement for Air Force ownership of Technical Data has diminished. However, DoD 5000.2-R still requires that we provide contractual options for access to technical data as necessary to retain the option for recompeting workloads

Use of joint systems, like JCALS (Joint Computer-Aided Acquisition and Logistics Support), will facilitate the ease of transition between contractor format Technical Data and our own organic formats

Technical data management is a candidate for competitive sourcing, but again, if outsourced there must be provision to ensure compliance with our Air Force long term technical data strategy, including compliance with access to data and JCALS format requirements



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## Technical Support

- Includes sustaining engineering and other technical support in support of configuration management, data management, reliability growth, systems integration, and diminishing manufacturing sources (DMS)
- While these individual functions may be competitively sourced, the program office retains ultimate responsibility for accomplishing weapon system technical management as defined within Operational Safety, Suitability and Effectiveness (OSSE) policy

[www.afmc-mil.wpafb.af.mil/HQ-AFMC/EN/enp/osse/osse.htm](http://www.afmc-mil.wpafb.af.mil/HQ-AFMC/EN/enp/osse/osse.htm)

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• Technical Support includes all of those functions necessary to provide technical support and oversight for the life of the weapon system, as shown here

• A key point regarding technical support is that although the individual functions may be competitively sourced, the Program Manager retains ultimate responsibility and accountability for the Operational Safety, Suitability, and Effectiveness of the weapon system. Ultimate responsibility for this role cannot be delegated



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## Training

- **Includes both operator (e.g., pilot or other end user) and maintainer training**
  - **Can include initial and refresher training**
- **Candidate for competitive sourcing**
- **If contractor performed, must comply with AF standards sufficient to train “blue suiters”**

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- Training includes all education necessary to ensure the successful operation and maintenance of a weapon system, and can include both initial and refresher training
- It is a candidate for competitive sourcing, but when outsourced, must ensure compliance with formats and materials sufficient to train Air Force blue suit personnel



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## Data Systems

- **Includes both development and maintenance of application software**
- **Contractors have flexibility to develop/utilize their own data systems; however, these systems must interface with applicable AF data systems (e.g. SBSS)**
  - HQ AFMC is currently developing a list of other applicable Air Force data interfaces
- **As a minimum, data interfaces must be transparent to the user and include standard AF formats**

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•Data Systems includes both the development and maintenance of application software

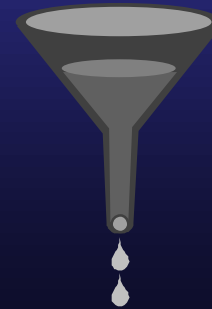
•While contractors will have flexibility to develop and utilize their own data systems for outsourced functions, such as wholesale supply, their systems must provide a transparent interface with our own Air Force standard systems, such as SBSS (Standard Base Supply System) for supply, to ensure continued use by our own blue suit personnel



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## Other Filters

- **Filters that are applicable to all or the majority of product support elements**
  - **A-76**
  - **Market Research**
  - **Business Case Analysis**



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- Up to this point, we've discussed the Product Support filters in association with their product support functional element, such as Depot Maintenance or Supply Management
- However, there are some filters, as shown here, that can apply across any or all of the product support elements, and thus are discussed separately



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## Other Filters A-76 Competitive Sourcing

- **By law, Services must acquire supplies/services from a private sector source if the supply/service cost is lower than the cost at which the Service can provide the same supply/service**
- **If a proposed product support strategy envisions contracting out any product support elements (excluding depot maintenance), then A-76 may apply**
- **Work with your manpower office, center AST and A-76 focal point, and HQ AFMC/XPM to verify applicability of A-76 relative to your proposed reengineering effort**
- **HQ AFMC and HQ USAF are currently reviewing applicability of A-76 to the product support arena**

<http://www.govexec.com/fairact/>

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•National policy mandates the Government should generally not compete with its citizens when obtaining commercial services. Indeed, the Government will only perform commercial services in house if it can provide comparable services at a lower cost. OMB circular A-76 implements this federal policy by describing procedures for comparing the cost of industry providing a specific service and the cost of the Most Efficient Government organization providing the same service.

•Not all commercial services fall under the A-76 Commercial Activities Cost Comparison policy. The A-76 cost comparison policies apply to commercially available services that are conducted by more than ten civilian personnel that are not inherently governmental services

•An inherently governmental activity is an activity that is so intimately related to the public interest as to mandate performance by Government employees. Inherently governmental activities normally fall into two categories: (1) the act of governing, I.e. the discretionary exercise of Government authority and (2) the act of obligating money and approving entitlements.

•For informational purposes, as of the writing of this briefing, the web site shown on the chart has information regarding what DoD activities are currently considered commercial activities and not inherently governmental.

•Be aware that this inventory is a snapshot in time. It depicts commercial activities within DoD as they existed in the beginning of fiscal year 1999. DoD activities are routinely under review. The commercial activities listed in this inventory may have changed substantially over time.

•A-76 studies must be announced to Congress before they can be officially implemented.

•Because of the changing policy associated with A-76 and the congressional requirements, it is essential that all A-76 studies be worked through the servicing manpower office. It is also strongly suggested that coordination with your center AST and A-76 group be maintained to ensure that lessons learned from previous studies be promulgated among both the center and the remainder of the Air Force.





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## Other Filters Market Research

- **Collecting, evaluating, and using information regarding existing product support, potential suppliers, desirable systems/technology, competitive forces, and potential incentives**
- **Essential to accomplishing product support partnering**
- **LB-99-3 (Market Analysis and Pricing Centers of Expertise (COEs)) is establishing COEs that will maintain databases of market information to support program offices in conducting market research**



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- Market research is a continuous process for gathering and analyzing data to make informed acquisition decisions. Since we are moving to a support concept that broadens the base of available sources of support, then we must be knowledgeable of what the marketplace has to offer - which can only be achieved through a rigorous market research effort
- Our goal by accomplishing it is to achieve reduced total ownership costs and discover opportunities for long term effective partnering arrangements
- Lightning Bolt 99-3 will facilitate our Market Research efforts. It will establish Market Research “Centers of Expertise” throughout the Air Force that will focus on specific market segments and maintain currency on new technologies and commercial market capabilities



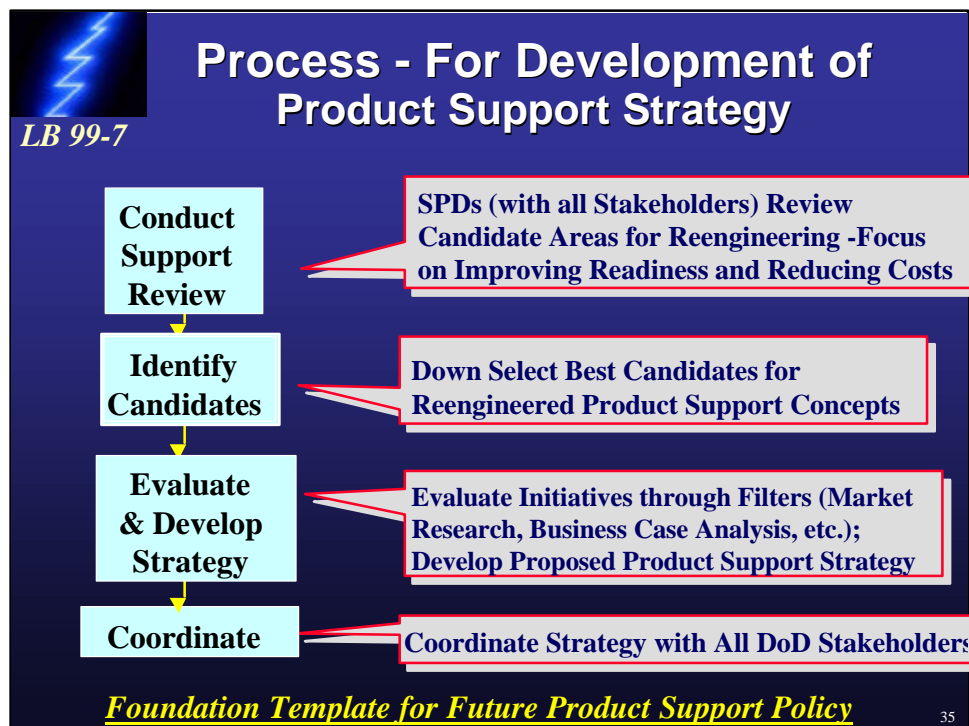
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## Business Case Analysis (BCA)

- **Used to validate proposed product support initiatives**
- **Comprehensive, consistent, well-documented case with cost estimates for the initiatives that can be *replicated* and *verified***
- **Contains sound, *executable* action plans**
- **Describes effective mechanisms for measuring and justifying achievement of best value for the Air Force**

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- One of the final, but most important steps in building a product support strategy is the completion of a Business Case Analysis, or BCA
- The BCA is used to support and validate all product support recommendations, is a comprehensive, well-documented case analysis that supports the recommendations in measurable cost and performance terms, leading to best value decisions for the Air Force

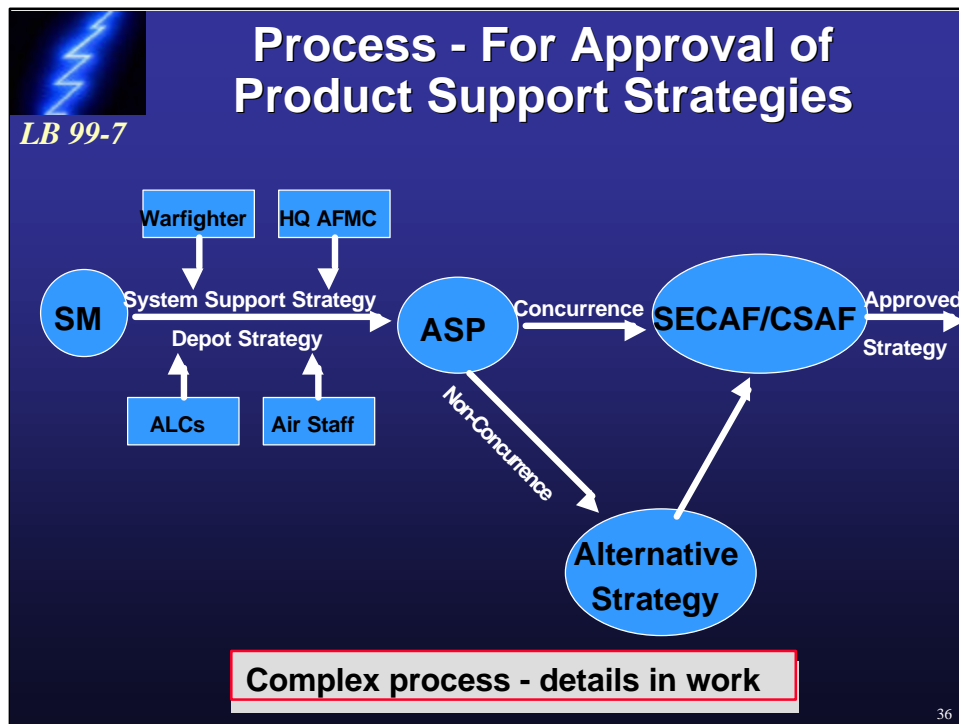


•Now that we've reviewed the range of product support elements and the strategies and filters that must be considered when developing a product support strategy, let's discuss the actual process for developing that strategy

•First, the System Program Director should conduct a thorough support review, referencing the performance baseline, to identify candidate functional support elements or weapon system subsystems (or both) where performance is not as desired. These are prime candidate areas for insertion of product support reengineering

•From this list of Candidate activities/systems, the program office should evaluate the various potential initiatives in accordance with the guidance, competitive sourcing options, and criteria discussed in this training and provided in the LB 99-7 Product Support Guide ([http://www.safaq.hq.af.mil/acq\\_ref/bolts99/guides/lbguide7.doc](http://www.safaq.hq.af.mil/acq_ref/bolts99/guides/lbguide7.doc))

•From this, a proposed product support strategy will be developed, documented, supported by a business case analysis, and thoroughly coordinated with all DoD stakeholders



- This chart reflects the ultimate overall approval process, from the Single Manager through the Acquisition Strategy Panel (ASP) and ultimately, for major programs, the Secretary of the Air Force and/or Chief of Staff of the Air Force
- Approval of major product support strategies is clearly a CORPORATE process, involving all stakeholders, including Air Force Acquisition, Logistics, AFMC, and the Warfighter



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## Highlights: From Plans

- **Pilot programs embraced the challenge to develop Product Support concepts/innovations**
- **Variety of Proposed Support Arrangements**
  - Performance-oriented Contracts
  - Award Term incentives
  - Long-term Support Arrangements
  - Sharing in cost reduction initiatives
  - Service Level Agreements
- **Extensive work under way to identify partnering opportunities - most begin at joint (e.g. KTR-Gov IPT) planning stage**
- **Next phase is critical: Detailed planning & strategy development supported by BCAs**

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•As mentioned earlier, the Air Force has initiated implementation of reengineered product support concepts in our ten pilot programs. Six of the ten pilot programs developed action plans for that implementation. In general terms, we have observed the following key highlights from those plans

- The pilot programs have been very aggressive in embracing the challenge to evaluate product support innovative concepts
- We've seen a variety of proposed contractual support arrangements proposed, all of them good examples of our product support vision
- We've also seen ambitious starts to the partnering process, although most are at the early planning stage
- The next phase for the plans is critical. These initial strategies must undergo the rigorous evaluation of the criteria and filters outlined in this training to develop a final proposed strategy, which must be supported in both cost and performance terms in a well-documented BCA



## Highlights: Lessons Learned

- Building/coordinating an innovative product support strategy takes time
- SPD ultimately responsible for customer satisfaction even under TSPR arrangement
- Involve all stakeholders early
- Start sustainment planning early
- Partnering should start early and is a continual process
- Structure performance incentives to maximize desired performance - performance incentives work
- Under TSPR, build in “off ramps” (recompetition; return to organic)
- Strategies should address potential high-risk areas (e.g. “all or nothing” responsibility for business areas for which new source may have limited experience) and how those risks to the Air Force will be mitigated or accepted

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•Four of the ten pilot programs had already approved or implemented reengineered product support strategies. For those programs, we compiled lessons learned, as shown here

•It takes time to build a product support strategy - it is not a quick fix process

•Regardless of what might be competitively sourced, the SPD remains ultimately responsible for the overall health, safety, and performance of the weapon system

•It's vital to involve all appropriate stakeholders in the process early on to ensure a viable, supportable strategy

•Partnering cannot begin after decisions have been made - it must begin early, so all parties can participate in the decision making process

•Performance incentives work - use them to the maximum degree feasible

•And, as much as we are building smart contracts with performance requirements, we cannot abrogate our responsibility to build in off ramps, such as access to technical data, to provide for recompetition or bring workload back in for organic performance, if necessary

•And finally, product support strategies should ensure they identify and address potential high risk areas, and how those risks will be mitigated or accepted under their proposed strategy



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## SUMMARY

- ◆ *Logistics is Warfighting*
- ◆ *Warfighting is Changing*
- ◆ *Logistics Change is inevitable*
- ◆ *Drive it or be driven*
- ◆ *Improved support to the Warfighter is the Bottom Line*
- ◆ **YOU ARE THE AGENTS OF CHANGE!**



**FUTURE WARFIGHTING REQUIRES FUTURE LOGISTICS**

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- Change is coming - it is inevitable in life and imperative in our business because we are changing the way we plan to operate and we must change to meet these new challenges
- Performance improvement is our goal - warfighting is our mission, and reengineered product support will be our primary approach to achieving these objectives
- The primary component in facilitating change is education - the dissemination of our new goals, objectives, concepts, and strategies. Your participation in this training will serve to advance that educational process, as you become the agents of change in ensuring our acquisition actions include viable plans for best value, best practices weapon system support in line with our overall product support strategy